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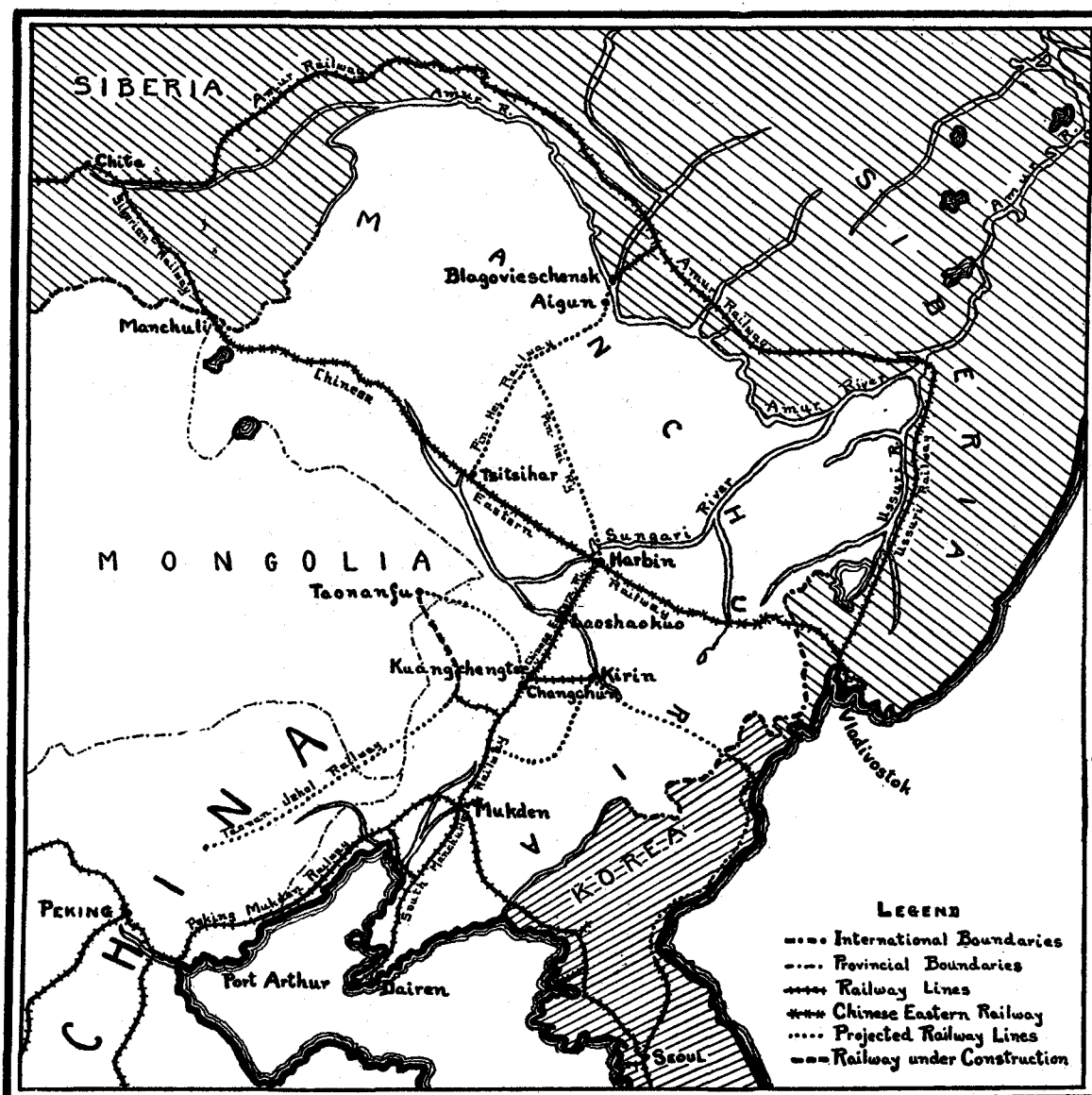
The Chinese Eastern Railway

Since its inception in 1896 the Chinese Eastern Railway has been a constant and important factor affecting the peace of the Far East. Closely linked with the ambitions of Russia, China and Japan, it has been the source of international difficulties involving many of the principal Western, as well as Eastern powers. Originally built and operated by Russian initiative as an integral part of the Trans-Siberian Railway system, and running through Chinese territory, the Chinese Eastern was a contributing cause of the Russo-Japanese War of 1904-1905, a frequent cause of friction with China, and a source of anxiety to Western powers with interests centering in northern China. The special position of Russia in Manchuria touched the Open Door policy of the United States, and during the War and the Russian Revolution the powers found themselves co-operating in the management and operation of the line. Later China and Russia declared themselves alone responsible for the road, and today serious differences between them

are under negotiation in Manchuria. The history of the Chinese Eastern is long and complex. This report is necessarily confined to a brief survey of those points which appear most essential to an understanding of the present critical situation in the Far East.

PRELIMINARY NEGOTIATIONS

Negotiations leading to the construction of the Chinese Eastern commenced in 1896, shortly after Russia had aided China in procuring from Japan the retrocession of the Liaotung peninsula. Construction of the Trans-Siberian Railway had begun in 1891, and the Far Eastern section of this system would necessarily swing north in a large semi-circle, following the banks of the Amur river, if it were to remain on Russian territory. It was obvious to the Russian Government that if the road could be carried from Chita, near the border of Manchuria, directly southeast to the sea through Chinese territory, a distance of 950 miles, the length could be re-



Prepared by the Foreign Policy Association.

RAILROAD MAP OF MANCHURIA

duced by 568 miles. Furthermore, such a project would be invaluable in carrying out the Russian policy of "conquest by railroad and bank" in the Far East.

RUSSO-CHINESE BANK

As a preliminary step the Russian Government had chartered the Russo-Chinese Bank in December, 1895. Although nominally a Russian joint-stock company, four of the principal banks of Paris and many French financial leaders were among its founders. The capital, originally six million rubles, was later increased to 11,250,000 gold rubles, in addition to 5,000,000 taels subsequently advanced on permanent de-

posit by the Chinese Government. While appearing to be a private corporation under government protection, the Bank had a political aspect which was clearly apparent.

The Bank was later known as the Russo-Asiatic Bank, after its merger with the Banque du Nord in 1910. It is claimed that over 60 per cent of the shares of the Russo-Asiatic Bank are still in French hands.

RIGHTS GRANTED TO RUSSO-CHINESE BANK

The next step was a contract signed September 8, 1896 between China and the Russo-Chinese Bank.

Under this contract the Chinese Government agree to pay the Bank 5,000,000 Ku-

ping taels, and to participate in proportion to this amount in the profits and losses of the Bank.

The Chinese Government granted to the Bank a concession for the construction and operation of a railroad establishing direct communication between the city of Chita and the Russian South Ussuri Railway, the easternmost section of the Trans-Siberian system.

The Bank was to organize a separate company, the "Chinese Eastern Railway Company," for the actual construction and operation of the road, under certain broadly stipulated conditions.

THE CHINESE EASTERN RAILWAY COMPANY

The Company was founded as a Russian joint-stock company, and its statutes were confirmed by the Imperial Government, December 4/16, 1896, at St. Petersburg.

With the formation of the Company, all ceded rights and obligations regarding construction and operation were transferred to it. The sole control of the line was vested in the Company, as were also the rights given by China, not merely in connection with the railway, but also in the field of mineral, industrial and commercial exploitation.

The Company was capitalized at 5,000,000 rubles, with 1,000 shares. Although the contract provided that the shares might be held by both Chinese and Russians, the issue was apparently handled in such a way that none of the shares went into Chinese hands. The exact ownership at present of these shares cannot be determined. In addition, bonds were issued under the authorization and guarantee of the Russian Government. These have been estimated at between 350,000,000 and 425,000,000 gold rubles.

PROVISIONS OF THE CHINESE EASTERN CONTRACT

Some of the most significant provisions of the contract were those giving the Company the right to acquire not only land necessary for the "construction, operation and protection of the line" but also "lands in the vicinity of the line" for procuring sand, stone, lime and other materials not specified.

Further provisions gave the Company "the absolute and exclusive right of administration of these lands," and the right to erect

buildings of all sorts and construct telegraph lines for the needs of the railway.

China agreed to be responsible for the protection of the railway and its employees against any attack. The Company assumed the right, however, to employ its own police for the maintenance of order within the railway zone. This right was asserted in the statutes drawn up for the Company by the Russian Government; it was not specified in the contract, nor apparently ever recognized by China.

The contract further provided that after eighty years from its completion, the railway should revert to China without payment; after thirty-six years from its completion, China would have the option of buying the railroad, upon payment in full of capital, debts and interest.

EXTENSION OF CHARTER OF CHINESE EASTERN RAILWAY, 1898

Construction of the Chinese Eastern Railway commenced in 1897. In 1898 China granted Russia, under pressure, the lease of the Liaotung peninsula, and at the same time the charter of the Chinese Eastern Railway Company was extended to permit construction of a branch line from Harbin, on the main line, south to Port Arthur and Dairen. This road was known as the South Manchurian line of the Chinese Eastern Railway.

RUSSIAN PENETRATION OF MANCHURIA

During construction of the Chinese Eastern, large areas of land were obtained by the Company in the vicinity of the railway, and villages and towns were laid out and populated by Russian immigrants. As a result the railway zone became virtually a Russian colony.

During the Boxer rebellion Russian troops were sent to occupy the Three Eastern Provinces (Manchuria). Clashes with the Chinese occurred; at Blagovieschensk, a Chinese settlement on the Amur River, several thousand Chinese were massacred when driven into the river by the Russian troops. The Boxer uprising was quickly suppressed, but the Russian forces remained in Manchuria.

As a result of protests by the United States and other foreign powers against further encroachments contemplated by

Russia, an agreement was concluded March 26/April 8, 1902, by which Russia agreed to the restoration of Chinese authority in Manchuria and the withdrawal of Russian troops within eighteen months, on certain conditions. The failure of Russia to carry out this agreement was one of the main causes of the Russo-Japanese War.

RUSSO-JAPANESE WAR, 1904-1905

Shortly before the outbreak of the Russo-Japanese War the Chinese Eastern and its branches were opened to traffic. As a result of Japan's victory, the South Manchurian branch from Changchun to Port Arthur was transferred, by the Portsmouth Treaty, from Russia to Japan. In the same treaty Russia and Japan reserved the right to maintain railway guards on their respective lines in Manchuria.* China agreed to the railroad transfer in a special treaty with Japan, signed December 22, 1905.

AGREEMENTS WITH FOREIGN POWERS, 1909-1914

In the years following the Russo-Japanese War several agreements relating to the Chinese Eastern were concluded.

During this period the policy of the United States was expressed in a number of notes upholding the principle of the Open Door and the territorial and administrative integrity of China, and questioning Russia's interpretation of the Chinese Eastern Railway contract. This policy of the United States was brought out more clearly in the plan of Secretary of State Knox (first submitted in November, 1909) proposing an international loan to China for redemption of the railroads in Manchuria before the time fixed by the various treaties. During the period of the loan the railroads were to be administered by a joint international commission. The Knox scheme was vigorously opposed by Russia and Japan, and failed to win the support of France and Great Britain. Accordingly, Russia's position in Manchuria remained intact.

In 1909 a convention was signed by Russia and China laying down the principles to govern municipal administration, which was in the hands of Russian officials. The

other powers refused to approve this agreement.

Russia's special position was virtually recognized, however, by a number of foreign powers, through the Anglo-Russian Agreement of April 30, 1914, which was later adhered to by the Netherlands, Belgium, Spain, France, Denmark, Italy and Japan.

In this agreement Great Britain, and subsequently the adhering powers, agreed that their subjects living in the railway zone should be taxed on the same basis as the Russian inhabitants, on condition that the taxes be used for the common welfare.

The nationals of these foreign powers were also to be subject to local regulations, but were to be exempt from arrest by Russian police except in case of breach of the peace.

The United States did not adhere to this agreement.

THE CHINESE EASTERN RAILWAY DURING THE WORLD WAR

Shortly after the conclusion of this agreement the World War brought Russia and Japan, and later China, into the conflict on the side of the Allies.

In July 1916, when the Czar's Government was hard pressed, a convention "in regard to cooperation in the Far East" was concluded between Russia and Japan. Furthermore, by an additional agreement which has not been officially published, Russia at the same time sold to Japan for 6,000,000 yen, seventy-one miles of the Chinese Eastern Railway from Changchun to Laoshakuo on the Sungari River.

The contractual status of the Chinese Eastern Railway, however, was not affected until after the Russian Bolshevik Revolution in 1917. The administration of the C. E. R. which was in the hands of officials opposed to the Bolshevik regime, vigorously supported the anti-Soviet forces.

In 1918 Japan and China concluded a number of agreements for closer cooperation in prosecuting the war in the Far East, Japan in particular being alarmed by the possible effect of the Bolshevik Revolution on her interests in Manchuria.

In order to facilitate the movement of Chinese and Japanese troops over the Chinese Eastern system, one of these agreements

* See Editorial Information Report No. 7, "Foreign Troops and Warships in China."

provided for a joint bureau (Sino-Japanese) to cooperate with the railway administration. The railway was accordingly used for transportation of Chinese and Japanese troops supporting the Russian Whites.

INTER-ALLIED SUPERVISION

As a consequence of the war and the Russian Revolution, the Chinese Eastern was badly disorganized. The huge subsidies supplied by the Czarist Government were no longer available, expenses were heavy, and railway bank notes issued by the general manager failed to solve the difficulties.

To facilitate the military operations of the Allies in Manchuria and Eastern Siberia, and the evacuation of Czechoslovak prisoners, the assistance which had already been given to Russia, at her request, in the operation of the entire Trans-Siberian system, including the Chinese Eastern Railway, was continued by an Inter-Allied Technical Board. This Board was organized with headquarters at Harbin, to supervise the technical and economic operation of the Siberian and Chinese Eastern Railways.

In January, 1919, an agreement was concluded between the United States and Japan, under the terms of which China, France, Great Britain and Italy subsequently cooperated. The fundamental purpose of the agreement was declared to be the temporary operation of the railways with a view to their ultimate return to those in interest, without the impairing of any existing rights.

An American railway engineer, John F. Stevens, was made president of the Board, of which the other members were representatives of France, Great Britain, Italy, Japan, China, Russia (anti-Bolshevik faction) and Czechoslovakia. About \$5,000,000 were spent by the Board for the Chinese Eastern and about the same amount was charged by the railway for the transportation of Allied and Czechoslovak troops. These claims were the subject of a number of diplomatic exchanges.

CHINA-RUSSO-ASIATIC BANK AGREEMENT, 1920.

Not long after the Technical Board was established, an important change in the status of the Chinese Eastern was brought about by an agreement signed October 2,

1920, between China and the Russo-Asiatic Bank, which claimed to be the sole shareholder of the railway. Under this agreement the Chinese Government, in view of the absence of a recognized Russian government, took over temporarily the supervision of the railway, normally exercised by the Russian Government. The Russian administration and police were abolished, and their work taken over by the local Chinese authorities. A new board of directors was established, with five Chinese and five Russian (anti-Bolshevik) members, the president being Chinese and the vice-president Russian. This agreement was deeply resented in Moscow, but the Soviet Government was not at the time in a position to take any effective action.

When the Washington Conference met in 1921-1922 the trusteeship thus assumed by China was still in force, and the Inter-Allied Technical Board was still functioning.

WASHINGTON CONFERENCE RESOLUTIONS

Although the Chinese Eastern Railway problem was one of the specific items on the agenda of the Washington Conference, it proved impossible to reach any agreement among all of the powers represented, beyond the following Resolution which was unanimously adopted:

"Resolved, That the preservation of the Chinese Eastern Railway for those in interest requires that better protection be given to the railway and the persons engaged in its operation and use, a more careful selection of personnel to secure efficiency of service, and a more economical use of funds to prevent waste of the property.

"That the subject should immediately be dealt with through the proper Diplomatic channels."

At the same time, the powers other than China united in a further Resolution (Resolution No. 12) reading as follows:

"The Powers other than China in agreeing to the resolution regarding the Chinese Eastern Railway, reserve the right to insist hereafter upon the responsibility of China for performance or non-performance of the obligations towards the foreign stockholders, bondholders and creditors of the Chinese Eastern Railway Company which the Powers deem to result from the contracts under which the railroad was built and the action of China thereunder and the obligations which they deem to be in the nature of a trust re-

sulting from the exercise of power by the Chinese Government over the possession and administration of the railroad."

During and after the Washington Conference the powers represented suggested that their cooperation in maintaining and operating the railway as a trust be continued until a generally recognized Russian Government had been established. The Chinese Government was apparently not disposed to act on this suggestion at the time.

ABOLITION OF INTERNATIONAL TECHNICAL CONTROL

On October 31, 1922, the Interallied Committee at Vladivostok and the Technical Board at Harbin brought their administration to a close.

In a note of this date, the United States confirmed the Washington Conference resolutions with respect to the Chinese Eastern Railway and reserved all its rights with respect to advances in money and material made directly or indirectly to the railway. While also reaffirming its concern in the ultimate return of the railway "to those in interest," the United States reiterated its interest "in the efficient operation of the railway and its maintenance as a free avenue of commerce open to the citizens of all countries without favor or discrimination."

AMERICAN NOTE OF MAY 3, 1924

In May, 1924, it was obvious that a Sino-Russian agreement was about to be concluded, and consequently the United States addressed a note to China under date of May 3, 1924. The note, it is understood, referred to the 12th Resolution adopted by the Washington Conference, requested that China take note of its responsibility as trustee thereunder, and also called attention to the fact that the rights of creditors should be adequately protected. At the same time, the United States is said to have emphasized that there was no intention to interfere in the Sino-Russian negotiations, although China was warned against entering any unilateral agreement which would invalidate foreign interests.

France sent a similar note on May 7.

Previous Sino-French correspondence had taken place during March and April. France

apparently advanced the claim that the Russo-Asiatic Bank had been placed under French protection in consequence of the disturbances in Russia, and that protest would be made against any alterations in the road's existing management. China replied that the Bank was purely Russian, that no French protection could be recognized and that the C. E. R. concerned only Russians and Chinese. France thereupon reiterated her original contention.

SINO-RUSSIAN AGREEMENTS OF MAY 31, 1924

After prolonged negotiations, the Chinese Central Government at Peking recognized the Union of Soviet Socialist Republics and signed two important agreements with the Union, May 31, 1924, the "Agreement on General Principles" and the "Agreement for the Provisional Management of the Chinese Eastern Railway."

Of the former, Article IX is of the greatest importance so far as the railway is concerned. It provides:

"Article IX. The two Governments of the two Contracting Parties agree to settle at the aforementioned Conference the question of the Chinese Eastern Railway in conformity with the principles as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise.

The Governments of the two Contracting Parties mutually declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the rights of the National and Local Governments of the Republic of China—such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation, and land property (with the exception of lands required by the said Railway)—shall be administered by the Chinese Authorities.

(2) The Government of the Union of the Soviet Socialist Republics agrees to the redemption by the Government of the Republic of China, with Chinese capital, of the Chinese Eastern Railway, as well as all appurtenant properties, and to the transfer to China of all shares and bonds of the Railway.

(3) The Governments of the two Contracting Parties shall settle at the Conference as provided in Article II of the present Agreement, the amount and conditions governing the redemption as well as the pro-

cedure for the transfer of the Chinese Eastern Railway.

(4) The Government of the Union of the Soviet Socialist Republics agrees to be responsible for the entire claims of the shareholders, bondholders and creditors of the Chinese Eastern Railway incurred prior to the Revolution of March 9th, 1917.

(5) The Governments of the Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Republic of China and the Union of the Soviet Socialist Republics, to the exclusion of any third party or parties.

(6) The Governments of the two Contracting Parties agree to draw up an arrangement for the provisional management of the Chinese Eastern Railway pending the settlement of the questions as provided under Section (3) of the present Article.

(7) Until the various questions relating to the Chinese Eastern Railway are settled at the Conference as provided in Article II of the present Agreement, the rights of the two Governments arising out of the Contract of August 27th/September 8th, 1896, for the Construction and Operation of the Chinese Eastern Railway, which do not conflict with the present Agreement and the Agreement for the Provisional Management of the said Railway and which do not prejudice China's right of sovereignty, shall be maintained."

AGREEMENT FOR PROVISIONAL MANAGEMENT

The Agreement for the Provisional Management of the Chinese Eastern Railway provided for the establishment of a Board of Directors composed of ten members; five of these members, including the president were to be appointed by the Chinese Government, and five, including the vice-president, by the Russian Government. The president was to be also director-general, and the vice-president, assistant director-general.

The Agreement further provided that the manager of the railway should be a Russian, with one Russian and one Chinese assistant manager. The chiefs and assistant chiefs of the departments are to be respectively Russian and Chinese, or vice versa. Nationals of China and Russia are to be employed on the railway in accordance with the principle of equal representation, with the proviso contained in an attached declaration that no present Russian employees are to be dismissed solely to enforce this principle, and that "the posts shall be filled in accordance with the ability and technical as well

as educational qualifications of the applicants." The Agreement provides for the revision of the statutes of the C. E. R. Company by the Board of Directors within six months from the date of the Board's constitution.

RUSSO-ASIATIC BANK PROTEST

Following the conclusion of the Sino-Russian agreements, M. Bleuler, representative of the Russo-Asiatic Bank, was reported as making a formal protest to the Chinese Foreign Office on June 2. The protest was made, according to the information available, on behalf of the shareholders and bondholders of the C. E. R. Co. against the violation of their rights by the agreement between China and Soviet Russia, signed on May 31 without the knowledge of the said shareholders and bondholders. Copies were filed with the Peking representatives of the eight powers signatory to the Washington Conference resolution.

JAPANESE PROTEST

On June 6, Japan addressed notes to China and to M. Karakhan, Soviet Ambassador at Peking, insisting, it is said, that Japan's acquired privileges and interests in the C. E. R. should not be affected by the agreement. It was understood that the "acquired privileges" related to the through traffic between the C. E. R. and the South Manchuria Railway, while the "interests" included 10,000,000 yen which the C. E. R. was alleged to owe for material supplied.

CHINESE REPLY OF JUNE 16, 1924

After the agreements of May 31, 1924, had been signed, China delivered a reply to the American, Japanese and French Ministers, dated June 16. The substance of the reply to the United States was as follows:

Prior to the conclusion of the Sino-Russian Agreement, the pronouncement of the Washington Conference referred to China's responsibility during the time of its trusteeship. Now that Sino-Russian relations have been re-established, however, the state of affairs is entirely different from what it was formerly. In the future, the two Governments of China and Russia will deal with the question of the Chinese Eastern Railway, in which only the two countries of China and Russia are concerned. This is a right which

properly rests in the two Governments of China and Russia.

Furthermore, the temporary arrangement between China and Russia concerning the Chinese Eastern Railway is not prejudicial to the rights of the various Powers. The Chinese Government considers that there is no need for excessive anxiety in reference to the points raised by the American Government.

In reply to Japan, China apparently refused to admit the validity of Japan's reservation of June 6, that her acquired rights and interests should not be affected by the Sino-Russian Agreement.

AMERICAN ANSWER TO CHINESE REPLY

In answer to the Chinese note of June 16, the United States delivered a further note—apparently on July 14—which was described as “reiterating in strong terms” the American position as set forth in the first note of May 3, while also stating the feeling of the United States Government that China had ignored the fact that the United States is a creditor of the road to the extent of \$5,000,000 by reason of advances made through the Inter-Allied Technical Board.

STATEMENT BY CHINESE FOREIGN MINISTER

Shortly afterward, on July 20, the Chinese Minister of Foreign Affairs stated to newspaper representatives that it was never China's intention to infringe on any legitimate claims, despite the declaration in the Sino-Russian Agreement that all matters pertaining to the road were for the exclusive consideration of China and Russia, and also that the Chinese view was that all such claims would retain their original status. He also declared that supplementary explanations had been made to Washington, and claimed that the Chinese attitude was well understood.

THE MUKDEN-SOVIET AGREEMENT OF SEPT. 20, 1924

The region traversed by the C. E. R. is, de facto, under the control of Marshal Chang Tso-lin, “High Inspecting Commissioner of (independent) Manchuria,” with headquarters at Mukden. Consequently, the status of the C. E. R. is determined most directly, though perhaps not legally, by the September 20, 1924, Agreement “between the Au-

tonomous Government of the Three Eastern Provinces of the Republic of China and the Government of the Union of Soviet Socialist Republics.”

This separate compact was strongly protested against by the Chinese Central Government, on the grounds that it, as the sole recognized government, had entered into definite earlier agreements, May 31, 1924, with the Soviet Government regarding the railway and other matters. At the time of concluding the Mukden Agreement, moreover, Chang was in open rebellion against the Central Government and the compact enabled him to withdraw his troops from the C. E. R. zone and throw them against the forces supporting Peking. The Soviet regime was considered guilty of bad faith by Peking.

In general, the Mukden-Soviet Agreement of September 20, 1924 contains almost word for word the provisions of Article IX of the Sino-Russian Agreement on General Principles, dated May 31, 1924, quoted above, and the provisions of the Agreement for the Provisional Management of the Chinese Eastern Railway of the same date, summarized above. There are, however, certain important differences between the Peking-Soviet Agreements on the one hand and the Mukden-Soviet Agreement on the other.

DIFFERENCES BETWEEN PEKING-SOVIET AND MUKDEN-SOVIET AGREEMENTS

(1) The Mukden-Soviet Agreement implies recognition of Chang Tso-lin, ruler of Manchuria and at that time in revolt against the Chinese Central Government.

(2) In regard to the redemption of the Chinese Eastern Railway, the Mukden Agreement provides that “The Union of Soviet Socialist Republics agrees, upon the signing of this Agreement, to the redemption by China of the said Railway with Chinese capital, the actual and fair cost of which to be fixed by the two Contracting Parties.” (Cf. Article IX, items 2, 3 and 4, of the Peking Agreement, quoted on p. 6.)

(3) The Mukden Agreement reduces to sixty years the concession period of eighty years provided for in the contract of September 8, 1896, upon the expiration of which the line with all its appurtenances will pass free of charge to the Chinese Government. The question of further reducing this period of sixty years may be taken up for the approval of the two contracting parties. The Peking Agreement contained no such provisions.

(4) The Mukden Agreement provides that the Union of Soviet Socialist Republics "agrees to the settlement of the question of the indebtedness of the Chinese Eastern Railway Company, by a commission to be appointed by the two Contracting Parties, in accordance with Item 4 of Article IX of the Sino-Russian Agreement on General Principles signed at Peking on May 31, 1924." (Cf. Item 4, of Article IX, of the Peking Agreement, quoted on p. 7.)

(5) The Mukden Agreement provides that "all the net profits of the Railway shall be held by the Board of Directors and shall not be used before the question as to how to divide these profits between the two Contracting Parties is settled by a Commission to be appointed by the two Governments."

The Peking Agreement for the Provisional Management of the C. E. R. provides that "all the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement of the question of the present Railway."

(6) The Mukden Agreement provides for revision of the Contract of September 8, 1896, within four months of the signing of the Agreement, by a Commission to be appointed by the two contracting parties. The Peking Agreement does not explicitly provide for revision of the Contract, but provides for a conference to be opened within one month, to settle various questions, among them the question of the C. E. R. (Cf. Article IX, item 7, of the Peking Agreement, quoted on p. 7.)

(7) The Mukden Agreement provides for revision of the statutes of the C. E. R. Company by the Board of Directors within four months from the constitution of the Board, thus reducing the period fixed by the Peking Agreement by two months. (Cf. p. 7.)

FURTHER RUSSO-JAPANESE CORRESPONDENCE

Following upon the Japanese note of June 6, 1924, to which the Soviet Government replied on June 10, the Japanese ambassador at Peking addressed a further note, dated October 4, to M. Karakhan. M. Karakhan's reply was as follows:

"In reply to your note of October 4, I have the honor to inform you, in accordance with instructions from my Government, that, as was made clear in its note of June 10, 1924, the Government of the U. S. S. R. cannot take note of any reservations made by the Japanese Government in connection with the rights and interests of Japan and of its citizens in regard to the Chinese Eastern Railway. The Government of the Soviet Union

also finds it necessary to point out, in confirmation of its views, that no agreement between the Soviet Union and the Chinese Republic in connection with the Chinese Eastern Railway can cause injury to any rights or interests of Japan, of Japanese citizens or of any third power, in view of the fact that, outside of China, no foreign government or its citizens can claim any rights or interests in the Chinese Eastern Railway. It was for the purpose of removing any misunderstandings that might arise in the future, in consequence of claims based on facts unknown to the Government of the U. S. S. R. or not recognized by the latter—that the Soviet Government found it necessary to make the statement, to which the note of the Japanese Government of October 4 was the answer."

It is obvious that neither the Peking nor the Mukden Agreement entirely supersedes the original contracts bearing upon the Chinese Eastern Railway, and that much still depends upon the interpretation placed upon the highly complex provisions of the agreements which marked the first days of the railroad.

SUMMARY OF RECENT EVENTS

During the past ten months relations between the Soviet Government, the Chinese Central Government and the Three Eastern Provinces controlled by Chang Tso-lin have been strained by a series of difficulties arising from the management of the Chinese Eastern Railway. The following is a brief review of the most reliable information thus far available regarding developments since early last summer. For the most part, however, it is not based upon sources which may be regarded as finally authoritative.

In May, 1925, the Russian Director-General of the C. E. R. dismissed several hundred "White" Russians employed on the railway. Their dismissal was opposed by Chang Tso-lin and by the Chinese President of the Board of Directors.

After fourteen months delay, the Sino-Russian Conference provided for in the Agreements of May 31, 1924, was opened in late August. So far as can be ascertained, however, no definite results have yet been achieved.

Last November a conference between representatives of China, Russia, and Japan convened in Moscow to arrange for through freight and passenger traffic between the Trans-Siberian and Chinese Eastern Railways, but failed to conclude an agreement.

Meanwhile a tense situation was developing on the C. E. R., due to an order by M. Ivanoff, the Soviet General Manager of the C. E. R., which became effective December 1, forbidding the transportation of Chinese military forces on credit. Up to that time such transportation had been debited to the Chinese Government, which at that date was reported to owe the railway company some eleven millions of silver dollars for transportation. Three weeks later the Russian station master at Harbin refused to honor the military passes of a detachment of Chinese local police sent to quell the activities of bandits. On January 16 the General Manager of the C. E. R. refused to transport on credit 3,000 Chinese railway guard troops at Kuanchengtze (near Changchun) and suspended all freight and passenger traffic on the southern line, following disturbances by the troops. The Chinese administrator of martial law at Harbin attempted to force the railway administration to resume traffic, threatening to run the trains himself with the aid of the military forces. Conferences at Harbin proved futile. On January 21, M. Ivanoff and three Russian directors of the railroad were arrested by the troops of Chang Tso-lin. The arrest was followed January 23, by a Soviet ultimatum sent both to the Peking Government and to Chang Tso-lin, requesting within three days the restoration of order along the railway, fulfilment of all treaty obligations, and release of M. Ivanoff. The Soviet Government asked China to permit the use of the Red Army in case these conditions were not met.

On January 25, M. Ivanoff was released by Chang Tso-lin, and the Soviet Foreign Office reported a preliminary agreement with Chang Tso-lin, stating that "a peaceful solution of the railroad conflict may be considered assured."

Subsequent discussions, however, have been unsuccessful in settling the details, and the negotiations, transferred from Harbin

to Mukden, are at present (February 16) still in progress.

The degree of control exercised by the Russian General Management is said to be the major issue. The theoretical Sino-Russian joint partnership has been thwarted by the Russian Directors who have prevented the Board from functioning by absenting themselves from its meetings. Thus the General Manager has been uncontrolled. The Chinese, however, are determined to enjoy at least equality.

In this situation, therefore, Japan is looked upon as controlling the outcome through her power either to support the Chinese or to agree with Russia upon a division of interests in Manchuria. Meanwhile Russo-Japanese cordiality is considerably lessened by the South Manchurian Railroad's activity in financing and constructing a line from Taonan-fu to Tsitsihar, now expected to be open for traffic next August.

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